

Mr. Alan Hughes, Administrator
Abbeville Nursing Home, Inc.
Post Office Box 190
Abbeville, South Carolina 29620

Re: AC# 3-ABV-J3 – Abbeville Nursing Home, Inc.

Dear Mr. Hughes:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1992 through September 30, 1993. That report was used to set the rate covering the contract periods beginning October 1, 1994.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Edgar A. Vaughn, Jr., CPA
State Auditor

EAVjr/trb

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

ABBEVILLE NURSING HOME, INC.

ABBEVILLE, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1994
AC# 3-ABV-J3**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 14, 1997

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Abbeville Nursing Home, Inc., for the contract periods beginning October 1, 1994 and for the twelve month cost report period ended September 30, 1993, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Abbeville Nursing Home, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Abbeville Nursing Home, Inc. dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 14, 1997

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the South Carolina Department of Health and Human Services and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Edgar A. Vaughn, Jr., CPA
State Auditor

ABBEVILLE NURSING HOME, INC.
Computation of Rate Change
For the Contract Periods
Beginning October 1, 1994
AC# 3-ABV-J3

	<u>10/01/94- 12/31/94</u>	<u>01/01/95- 09/30/95</u>
Adjusted reimbursement rate	\$75.81	\$75.34
Interim reimbursement rate (1)	<u>75.07</u>	<u>75.07</u>
Increase in reimbursement rate	\$ <u>.74</u>	\$ <u>.27</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 15, 1997

ABBEVILLE NURSING HOME, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1994 Through December 31, 1994
AC# 3-ABV-J3

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ -	\$38.06	\$37.76	\$37.76
Dietary	<u>.41</u>	<u>8.36</u>	<u>8.77</u>	<u>8.36</u>
Subtotal	<u>\$.41</u>	46.42	46.53	46.12
Laundry/Housekeeping/Maint.	\$ -	7.02	6.74	6.74
Administration & Med. Rec.	<u>2.08</u>	<u>5.27</u>	<u>7.35</u>	<u>5.27</u>
Subtotal	<u>\$2.08</u>	58.71	<u>\$60.62</u>	58.13
<u>Costs Not Subject to Standards:</u>				
Utilities		2.22		2.22
Special Services		-		-
Medical Supplies & Oxy.		2.16		2.16
Taxes and Insurance		1.37		1.37
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$64.46</u>		63.88
Inflation Factor (4.50%)				2.87
Cost of Capital				7.01
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.08
Cost Incentive - For Gen. Serv. & Dietary				.41
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(.99)
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add On				<u>.30</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$75.81</u>

ABBEVILLE NURSING HOME, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Periods January 1, 1995 Through September 30, 1995
AC# 3-ABV-J3

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ -	\$38.06	\$37.76	\$37.76
Dietary	<u>.41</u>	<u>8.36</u>	<u>8.77</u>	<u>8.36</u>
Subtotal	<u>\$.41</u>	46.42	46.53	46.12
Laundry/Housekeeping/Maint.	\$ -	7.02	6.74	6.74
Administration & Med. Rec.	<u>2.08</u>	<u>5.27</u>	<u>7.35</u>	<u>5.27</u>
Subtotal	<u>\$2.08</u>	58.71	<u>\$60.62</u>	58.13
<u>Costs Not Subject to Standards:</u>				
Utilities		2.22		2.22
Special Services		-		-
Medical Supplies & Oxy.		1.71		1.71
Taxes and Insurance		1.37		1.37
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$64.01</u>		63.43
Inflation Factor (4.50%)				2.85
Cost of Capital				7.01
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.08
Cost Incentive - For Gen. Serv. & Dietary				.41
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				(.99)
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add On				<u>.30</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$75.34</u>

ABBEVILLE NURSING HOME, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1993
For the Contract Period October 1, 1994 Through December 31, 1994
AC# 3-ABV-J3

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,279,674	\$ -	\$ -	\$1,279,674
Dietary	280,962	-	-	280,962
Laundry	49,045	17,330(1)	-	66,375
Housekeeping	127,116	-	-	127,116
Maintenance	42,608	98(1)	-	42,706
Administration & Medical Records	177,168	117(1)	-	177,285
Utilities	70,189	4,385(1)	-	74,574
Special Services	-	-	-	-
Medical Supplies & Oxygen	57,530	15,163(4)	-	72,693
Taxes & Insurance	50,133	-	3,968(1)	46,165
Legal Fees	-	-	-	-
Cost of Capital	234,864	14(1) 516(3) 470(5)	85(3)	235,779
Subtotal	2,369,289	38,093	4,053	2,403,329
Ancillary	42,805	-	-	42,805
Non-Allowable	33,700	-	17,976(1) 15,163(4) 470(5)	91
Total Operating Expenses	<u>\$2,445,794</u>	<u>\$38,093</u>	<u>\$37,662</u>	<u>\$2,446,225</u>

TOTAL BEDS 94

TOTAL PATIENT DAYS * 33,624
* Adjusted to 98% occupancy

ABBEVILLE NURSING HOME, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1993
For the Contract Periods January 1, 1995 Through September 30, 1995
AC# 3-ABV-J3

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,279,674	\$ -	\$ -	\$1,279,674
Dietary	280,962	-	-	280,962
Laundry	49,045	17,330(1)	-	66,375
Housekeeping	127,116	-	-	127,116
Maintenance	42,608	98(1)	-	42,706
Administration & Medical Records	177,168	117(1)	-	177,285
Utilities	70,189	4,385(1)	-	74,574
Special Services	-	-	-	-
Medical Supplies & Oxygen	57,530	-	-	57,530
Taxes & Insurance	50,133	-	3,968(1)	46,165
Legal Fees	-	-	-	-
Cost of Capital	234,864	14(1) 516(3) 470(5)	85(3)	235,779
Subtotal	2,369,289	22,930	4,053	2,388,166
Ancillary	42,805	-	-	42,805
Non-Allowable	33,700	-	17,976(1) 470(5)	15,254
Total Operating Expenses	<u>\$2,445,794</u>	<u>\$22,930</u>	<u>\$22,499</u>	<u>\$2,446,225</u>

TOTAL BEDS 94

TOTAL PATIENT DAYS * 33,624
* Adjusted to 98% occupancy

ABBEVILLE NURSING HOME, INC.
Adjustment Report
Cost Report Period Ended September 30, 1993
AC# 3-ABV-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Laundry	\$17,330	
	Maintenance	98	
	Administration	117	
	Utilities	4,385	
	Cost of Capital	14	
	Taxes, Insurance, & Licenses		\$ 3,968
	Nonallowable		17,976
	To properly state related party laundry cost HIM-15-1, Section 1005		
2	Movable Equipment	6,551	
	Accumulated Depreciation - Movable Equipment		6,551
	To properly record assets retired from active service but still at the facility HIM-15-1, Section 130		
3	Movable Equipment	3,156	
	Depreciation Expense - Movable Equipment	516	
	Accumulated Depreciation - Land Improvements	48	
	Equity	11,837	
	Depreciation Expense - Building Improvements		85
	Accumulated Depreciation - Movable Equipment		626
	Land		14,846
	To carryforward 9/30/90 balances and State Auditor's Office adjustments HIM-15-1, Section 2304		
4	Medical Supplies & Oxygen	15,163	
	Nonallowable		15,163
	To properly state medical supplies and oxygen (This adjustment applies to the contract period 10/01/94 - 12/31/94 only) State Plan, Attachment 4.19D		

ABBEVILLE NURSING HOME, INC.
Adjustment Report
Cost Report Period Ended September 30, 1993
AC# 3-ABV-J3

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Cost of Capital Nonallowable	470	470
	To adjust cost of capital to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$59,685</u>	<u>\$59,685</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

ABBEVILLE NURSING HOME, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1993
AC# 3-ABV-J3

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.8981</u>
Deemed Asset Value (Per Bed)	29,644
Number of Beds	<u>94</u>
Deemed Asset Value	2,786,536
Improvements Since 1981	160,990
Accumulated Depreciation at 9/30/93	<u>(557,779)</u>
Deemed Depreciated Value	2,389,747
Market Rate of Return	<u>.075</u>
Total Annual Return	179,231
Return Applicable to Non-Reimbursable Cost Centers	(2,236)
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>907</u>
Allowable Annual Return	177,902
Depreciation Expense	58,638
Amortization Expense	900
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(1,661)</u>
Allowable Cost of Capital Expense	235,779
Total Patient Days (Minimum 98% Occupancy)	<u>33,624</u>
Cost of Capital Per Diem	\$ <u><u>7.01</u></u>

ABBEVILLE NURSING HOME, INC.
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1993
AC# 3-ABV-J3

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$5.33
Adjustment for Maximum Increase	<u>3.83</u>
Maximum Cost of Capital Per Diem	<u>\$9.16</u>
Weighted Average Reimbursable Cost of Capital Per Diem	\$7.01
Weighted Average Cost of Capital Per Diem	<u>7.01</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>